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INTERNAL AUDIT DEPARTMENT

Audit No. 2317-E

June 19, 2003

Members, Board of Supervisors
Hall of Administration Building
10 Civic Center Plaza
Santa Ana, CA 92701

Dear Honorable Board Members:

We have completed the May 2003 report of the results of our Computer-Assisted Audit Techniques (CAAT). The report is attached for your information.

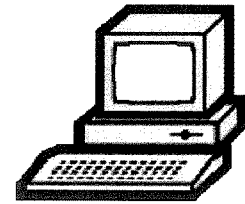
We would like to acknowledge the courtesy and cooperation extended to us by the personnel of the Auditor-Controller's Office and the CEO/Office of Human Resources. As always, I remain available to answer any questions you may have. Please contact me directly or Eli Litter, Deputy Director at (714) 834-5899 if we can be of further assistance.

Respectfully submitted,

Dr. Peter Hughes, CPA, CITP
Director

Attachment

cc: Members, Audit Oversight Committee
James D. Ruth, Interim County Executive Officer
David Sundstrom, Auditor-Controller
Robert Leblow, Manager, Auditor-Controller/Claims & Disbursing Section
Virginia Czarnecki, A-C/Information Technology/CAPS G/L System Support
Jan Walden, Director, CEO/Office of Human Resources
Patti Cahill, Manager, CEO/HR/ HR Standards
Scott Sanders, Senior Systems Programmer Analyst, CEO/HR/Employee Benefits
Bill Rawlings, Director, CEO/Purchasing & Real Estate
Paula Kielich, Administrator, CEO/Purchasing/Automated Purchasing Program
Darlene J. Bloom, Clerk of the Board of Supervisors
Foreman, Grand Jury



Monthly Report on
Computer-Assisted Audit Techniques
(CAAT)
Report Date: May 30, 2003

Audit No. 2317-E

Audit Director:	Dr. Peter Hughes, CPA, CITP
Deputy Director:	Eli Littner, CPA, CISA
Audit Manager:	Autumn McKinney, CPA, CIA
Staff Auditor:	Leigh Riddle, CIA, CFSA



Internal Audit Department

COUNTY OF ORANGE

CAAT Program: This report details the monthly activity and findings from establishing Computer-Assisted Auditing Techniques (known by the acronym CAAT) as a part of our information technology audit coverage. We are using a proprietary, state-of-the-art/best practices and industry recognized software product to help us in this process. We are keeping the details of our process and the vulnerabilities identified to a general discussion because of the risks associated with disclosing specific details of our financial and accounting processes.

The CAAT is a continuing and evolving audit process with the goal of developing a toolset of computer-routines and techniques that will analyze patterns in the individual data elements of the County's financial data. The resulting data/exceptions will be subjected to further review, analysis validation, recovery and evaluation of internal control enhancements whose purpose is to prevent future occurrences of the findings identified by the CAAT process.

Report Changes: For this and future reports, the two CAATs used to identify Employee – Vendor matches (by Tax ID or by Address) will be combined into one report item and a table has been added for tracking purposes.

1. CAAT Performed: **Duplicate Payments.** We used a CAAT to identify potential duplicate payments made during April 2003.

Results: Twelve potential duplicate payments were identified in the April 2003 data.

The table below summarizes the duplicate payment activity to date:

CAAT Report	Total		Not Duplicates		Recovered		In Process	
	#'s	\$'s	#'s	\$'s	#'s	\$'s	#'s	\$'s
May 2002	12	\$12,922	0	\$0	0	\$0	12	\$12,922
July 2002	40	\$39,470	10	\$4,046	12	\$7,223	18	\$28,201
August 2002	10	\$12,561	0	\$0	9	\$12,410	1	\$151
September 2002	5	\$2,526	0	\$0	0	\$0	5	\$2,526
November 2002	35	\$32,057	0	\$0	1	\$5,000	34	\$27,057
December 2002	1	\$445	0	\$0	0	\$0	1	\$445
January 2003	3	\$772	0	\$0	0	\$0	3	\$772
February 2003	3	\$266	0	\$0	0	\$0	3	\$266
March 2003	4	\$2,368	0	\$0	0	\$0	4	\$2,368
May 2003	12	\$9,488	1	\$6,549	1	\$429	10	\$2,510
TOTAL	125	\$112,875	11	\$10,595	23	\$25,062	91	\$77,218

Background: This CAAT concentrates on a sub-set of vendor invoices paid by the County possessing certain common attributes. The CAAT reviews the attributes and highlights potential duplicate payments for further review and verification. During the month of May 2003, a total of 21,794 invoices for \$223,558,479 were added to this data sub-set representing April 2003 transactions.

Currently, the data sub-set includes a total of 677,120 invoices totaling \$4,843,133,506. The total data file that the sub-set is derived from includes 2,681,122 records totaling \$7,895,616,427.

2. CAAT Performed: **Employee Vendor Match.** We used several CAATs to identify employees that are closely linked to a vendor as a result of sharing a similar address or tax id number.

Status: Internal Audit continued to work with CEO/HR personnel during May 2003 to develop and refine the process for researching and investigating employee vendor matches. CEO/HR is planning to host a discussion and information forum with all Department\Agencies next month to evaluate the appropriateness of specific employee-vendor matches that have been submitted to CEO/HR for review.

The table below has been added to this report to assist in tracking employee/vendor matches.

CAAT Report Month	Data Matches	Adjustments by Audit	Submitted to CEO/HR	CEO/HR Disposition Not a Problem	Action Taken
November 2002	178	(140)	38		
April 2003	12	(4)	8		
TOTAL			46		

3. CAAT Performed: **Retiree/Extra Help Hours.** We used a CAAT to identify Retirees who worked as extra help more than 980 hours during fiscal year 2001/2002.

Status: CEO/Human Resources has begun regular monitoring of working retiree hours. In addition, CEO/HR has notified OCERS to determine what action should be taken regarding the 14 retirees who appear to have exceeded the hour limits for extra help work, as identified in the March 2003 CAAT report.

4. CAAT Performed: **Direct Deposits.** We used a CAAT application to review for multiple employee paychecks that are directly deposited to the same bank account.

Results: This CAAT was applied in May with no irregular deposit activity identified.

5. CAAT Performed: **Deleted Vendors.** We used a CAAT to identify Vendors that have been deleted or removed from the Vendor Master List.

Results: This CAAT was applied in May with no significant findings.

Attachment – Provided to the Auditor-Controller only:

A. Potential Duplicate Payments, dated 3/18/03 – A-C/Claims and Disbursing Section